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Indonesia

Coffee

Semi Annual 2008

2008

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Report Highlights:

The Government of Indonesia has initiated some programs to educate coffee farmers on how to improve the quality of beans, even purchasing drying machines in coffee production areas. However, funds are limited and progress has been limited.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Jakarta [ID1]
[ID]

Production

There are no changes in the PSD from the Annual Report.

The Government of Indonesia (GOI) has initiated some programs to educate farmers on how to improve the quality of beans, even purchasing drying machines in coffee production areas. However, funds are limited and progress has been limited.

Indonesian coffee production and quality continue to be constrained by several practices commonly used by farmers:

- Cherries are picked prior to peak ripeness. The need for regular income and lack of alternatives encourages this practice. Estimates within the coffee industry are that this contributes to losses of about 20 percent since the formation of beans are disturbed.
- Using fabric bags to carry harvested cherries keeps the cherries moist, which stimulates mold and fungus growth. This has a detrimental impact on bean quality.
- Traditional methods continue to be used for drying and fruit separation. This leads to uneven drying and/or exposure to the elements.

Consumption

Post forecasts the MY 08/09 domestic consumption will not change despite the situation in global financial markets. Following the drop in world oil prices, GOI announced that gasoline prices will decrease. Retailers expect supply chain and distribution costs will decrease concomitantly. Thus, consumption should remain consistent despite growing concerns about the economy and consumer incomes.

Trade

Despite local concerns about the financial situation in the United States –which accounts for 20 percent of Indonesian coffee exports – overall exports are not expected to decline. Local industry officials cite the increasing tendency of consumers to brew their coffee at home even if there is a decline in consumption at the coffee shop and restaurant level.

The price of Robusta decreased from a high of \$2,400/MT in early 2008 to \$1,400/MT in first quarter 2008. It is now \$1,800/MT. Following the harvest in April, exports appear to be increasing to previous levels, or prior to the low harvest in MY 07/08.

Indonesian traders are closely following developments of competing coffee production countries, particularly Robusta producing countries in the region.

PSD Table

Country Indonesia

Commodity Coffee, Green

| Commodity | Coffee, Green | | | | | | (1000 HA) | (MILLION TREES) | (1000 60 KG BAGS) | |
|------------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|------------------|------------------|-------------------------|-------------------|
| | 2007 | Revised | | 2008 | Estimate | | 2009 | Forecast | UOM | |
| | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | USDA Official | Post Estimate | Post Estimate New | |
| Market Year Begin | | 04/2006 | 04/2006 | | 04/2007 | 04/2007 | | 04/2008 | 04/2008 | MM/YYYY |
| Area Planted | 1300 | 1300 | 1300 | 1300 | 1300 | 1300 | 0 | 0 | 1290 | (1000 HA) |
| Area Harvested | 900 | 900 | 900 | 900 | 900 | 900 | 0 | 0 | 900 | (1000 HA) |
| Bearing Trees | 1160 | 1160 | 1160 | 1150 | 1180 | 1150 | 0 | 0 | 1150 | (MILLION TREES) |
| Non-Bearing Trees | 240 | 240 | 240 | 220 | 220 | 220 | 0 | 0 | 200 | (MILLION TREES) |
| Total Tree Population | 1400 | 1400 | 1400 | 1370 | 1400 | 1370 | 0 | 0 | 1350 | (MILLION TREES) |
| Beginning Stocks | 88 | 88 | 88 | 48 | 88 | 48 | 68 | 88 | 68 | (1000 60 KG BAGS) |
| Arabica Production | 890 | 900 | 890 | 800 | 1000 | 800 | 0 | 0 | 780 | (1000 60 KG BAGS) |
| Robusta Production | 5775 | 5775 | 5775 | 5850 | 5850 | 5850 | 0 | 0 | 5865 | (1000 60 KG BAGS) |
| Other Production | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 60 KG BAGS) |
| Total Production | 6665 | 6675 | 6665 | 6650 | 6850 | 6650 | 0 | 0 | 6645 | (1000 60 KG BAGS) |
| Bean Imports | 300 | 300 | 300 | 400 | 350 | 400 | 0 | 0 | 450 | (1000 60 KG BAGS) |
| Roast & Ground Imports | 35 | 35 | 35 | 40 | 40 | 40 | 0 | 0 | 45 | (1000 60 KG BAGS) |
| Soluble Imports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 60 KG BAGS) |
| Total Imports | 335 | 335 | 335 | 440 | 390 | 440 | 0 | 0 | 495 | (1000 60 KG BAGS) |
| Total Supply | 7088 | 7098 | 7088 | 7138 | 7328 | 7138 | 68 | 88 | 7208 | (1000 60 KG BAGS) |
| Bean Exports | 4643 | 4613 | 4643 | 4570 | 4750 | 4570 | 0 | 0 | 4550 | (1000 60 KG BAGS) |
| Rst-Grnd Exp. | 67 | 67 | 67 | 70 | 70 | 70 | 0 | 0 | 80 | (1000 60 KG BAGS) |
| Soluble Exports | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (1000 60 KG BAGS) |
| Total Exports | 4710 | 4680 | 4710 | 4640 | 4820 | 4640 | 0 | 0 | 4630 | (1000 60 KG BAGS) |
| Rst,Ground Dom. Consum | 2200 | 2200 | 2200 | 2295 | 2285 | 2295 | 0 | 0 | 2340 | (1000 60 KG BAGS) |
| Soluble Dom. Cons. | 130 | 130 | 130 | 135 | 135 | 135 | 0 | 0 | 140 | (1000 60 KG BAGS) |
| Domestic Use | 2330 | 2330 | 2330 | 2430 | 2420 | 2430 | 0 | 0 | 2480 | (1000 60 KG BAGS) |
| Ending Stocks | 48 | 88 | 48 | 68 | 88 | 68 | 0 | 0 | 98 | (1000 60 KG BAGS) |
| Total Distribution | 7088 | 7098 | 7088 | 7138 | 7328 | 7138 | 0 | 0 | 7208 | (1000 60 KG BAGS) |
| Exportable Production | 4335 | 4345 | 4335 | 4220 | 4430 | 4220 | 0 | 0 | 4165 | (1000 60 KG BAGS) |

